

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED

09-13-07
11:29 AM

Application of Lennar Corporation, LNR Property Corporation, LNR NWHL Holdings, Inc., Lennar Homes of California, Inc., LNR Land Partners Sub, LLC, MW Housing Partners III, L.P., MW Housing Management III, LLC, MacFarlane Housing, LLC, MacFarlane Partners Investment Management, LLC, MacFarlane Partners, LLC, WRI CP Investments III LLC, Weyerhaeuser Realty Investors, Inc., LandSource Holding Company, LLC, and Valencia Water Company (U-342-W) for Authority for MW Housing Partners III, L.P., MW Housing Management III, LLC, MacFarlane Housing, LLC, MacFarlane Partners Investment Management, LLC, MacFarlane Partners, LLC, WRI CP Investments III LLC, Weyerhaeuser Realty Investors, Inc., Lennar Homes of California, Inc., LNR Land Partners Sub, LLC, and LandSource Holding Company, LLC to Obtain Indirect Control over Valencia Water Company.

Application 07-02-019
(Filed February 16, 2007)

NOTICE OF EX PARTE COMMUNICATION

Pursuant to Rules 8.2 and 8.3 of the Commission's Rules of Practice and Procedure ("Rules"), Lennar Corporation, LNR Property Corporation, LNR NWHL Holdings, Inc., Lennar Homes of California, Inc., LNR Land Partners Sub, LLC, MW Housing Partners III, L.P., MW Housing Management III, LLC, MacFarlane Housing, LLC, MacFarlane Partners Investment Management, LLC, MacFarlane Partners, LLC, WRI CP Investments III LLC, Weyerhaeuser Realty Investors, Inc., LandSource Holding Company, LLC, and Valencia Water Company (U-342-W) ("Applicants") hereby give notice of an ex parte communication regarding

the above captioned application for authorization of a transfer of indirect control over Valencia Water Company. (“Valencia”)

At 11:00 in the morning of September 10, 2007, Jennifer Glover, Managing Director of MacFarlane Partners, L.P., Martin Mattes of Nossaman, Guthner, Knox & Elliott, LLP, counsel for Applicants, and Erich Lichtblau of Orrick Herrington & Sutcliffe, LLP, counsel for LandSource Communities Development LLC (“LandSource”), met with Commissioner Timothy Alan Simon, his legal advisor Robert Mason, and his water advisor Timothy Sullivan, in a fifth floor conference room at the offices of the California Public Utilities Commission at 505 Van Ness Avenue in San Francisco. The meeting lasted half an hour and was completed at 11:30 a.m.

In the course of the meeting, Ms. Glover, Mr. Mattes, and Mr. Lichtblau expressed concerns regarding the Proposed Decision of Administrative Law Judge (“ALJ”) Galvin with respect to the Proposed Decision’s condition number 3, which requires that “all owners [of Valencia], direct and indirect,” ensure that Valencia has adequate capital to fulfill all of its public utility service obligations. With assistance from Ms. Glover and Mr. Lichtblau, Mr. Mattes explained the structure of the subject transaction, by which investors in MW Housing Partners III, L.P. (“MWHP”) have invested real estate and funds of great value in LandSource, a real estate development joint venture company which indirectly owns Valencia. Mr. Mattes further explained that MWHP, which itself holds assets of great value, holds 50% voting control over LandSource and is proposed to acquire indirect 50%

voting control over Valencia, but that most of the direct and indirect owners of MWHP, including its largest investor, the California Public Employees Retirement System, will not hold voting control over MWHP or any entities below MWHP in the ownership structure.

Mr. Mattes and Mr. Lichtblau referred to prior Commission decisions imposing obligations on holding companies to support the capital requirements of public utility subsidiaries, noting that in every case except one recent case involving Valencia such obligations were imposed only on specifically named entities. Mr. Mattes requested that the Proposed Decision of ALJ Galvin be modified to extend only to MWHP the obligation to ensure that Valencia has adequate capital to fulfill all of its public utility service obligations.

Three one-page documents were provided to Commissioner Simon and his advisors in the course of the meeting. Copies of those documents are attached to this notice.

To obtain a copy of this notice, please contact:

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In accordance with Rule 8.3(b), this notice is being served electronically on all persons appearing on the Commission's electronic service list for the above-captioned proceeding.

Respectfully submitted,

NOSSAMAN, GUTHNER, KNOX & ELLIOTT, LLP

By: /S/ MARTIN A. MATTES

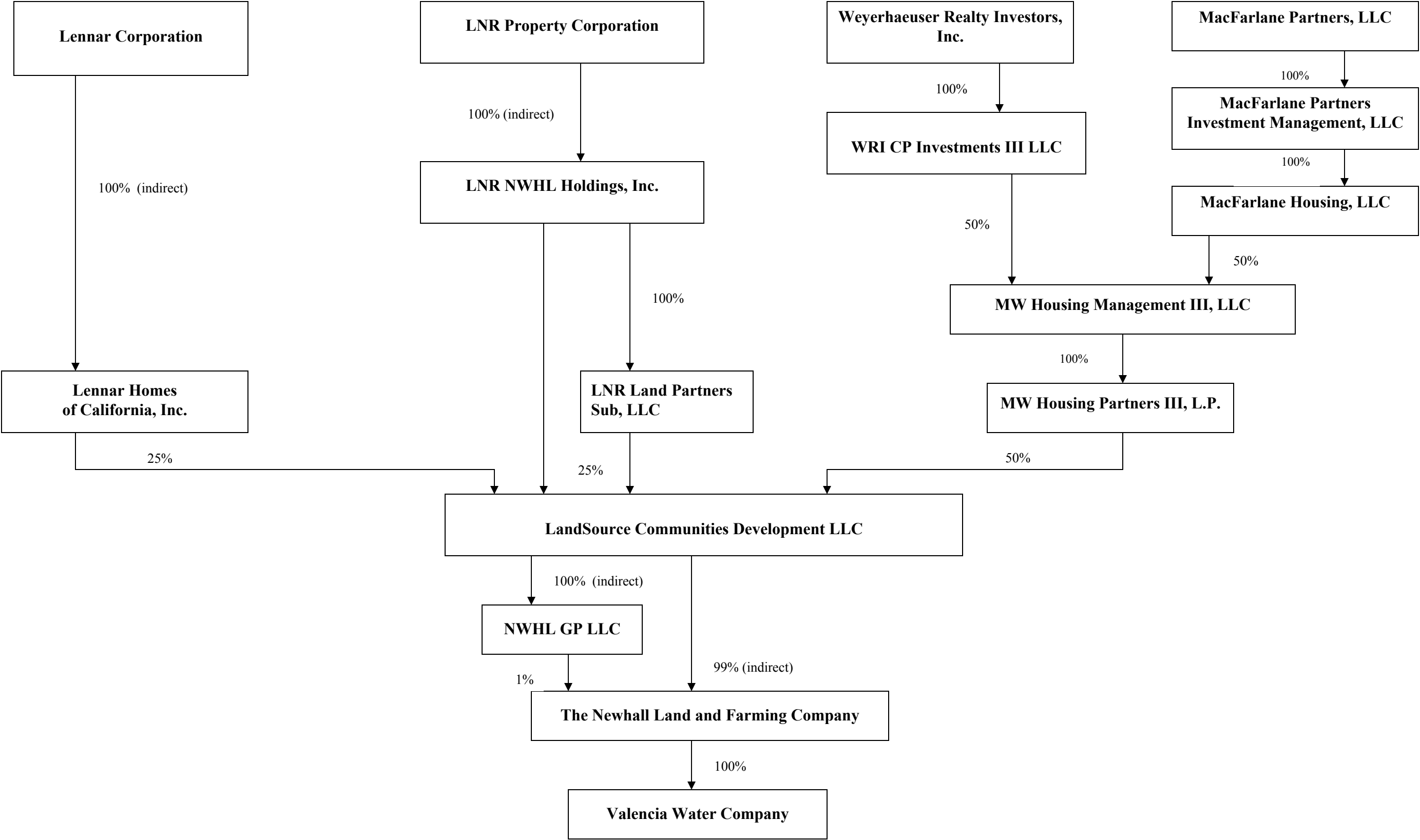
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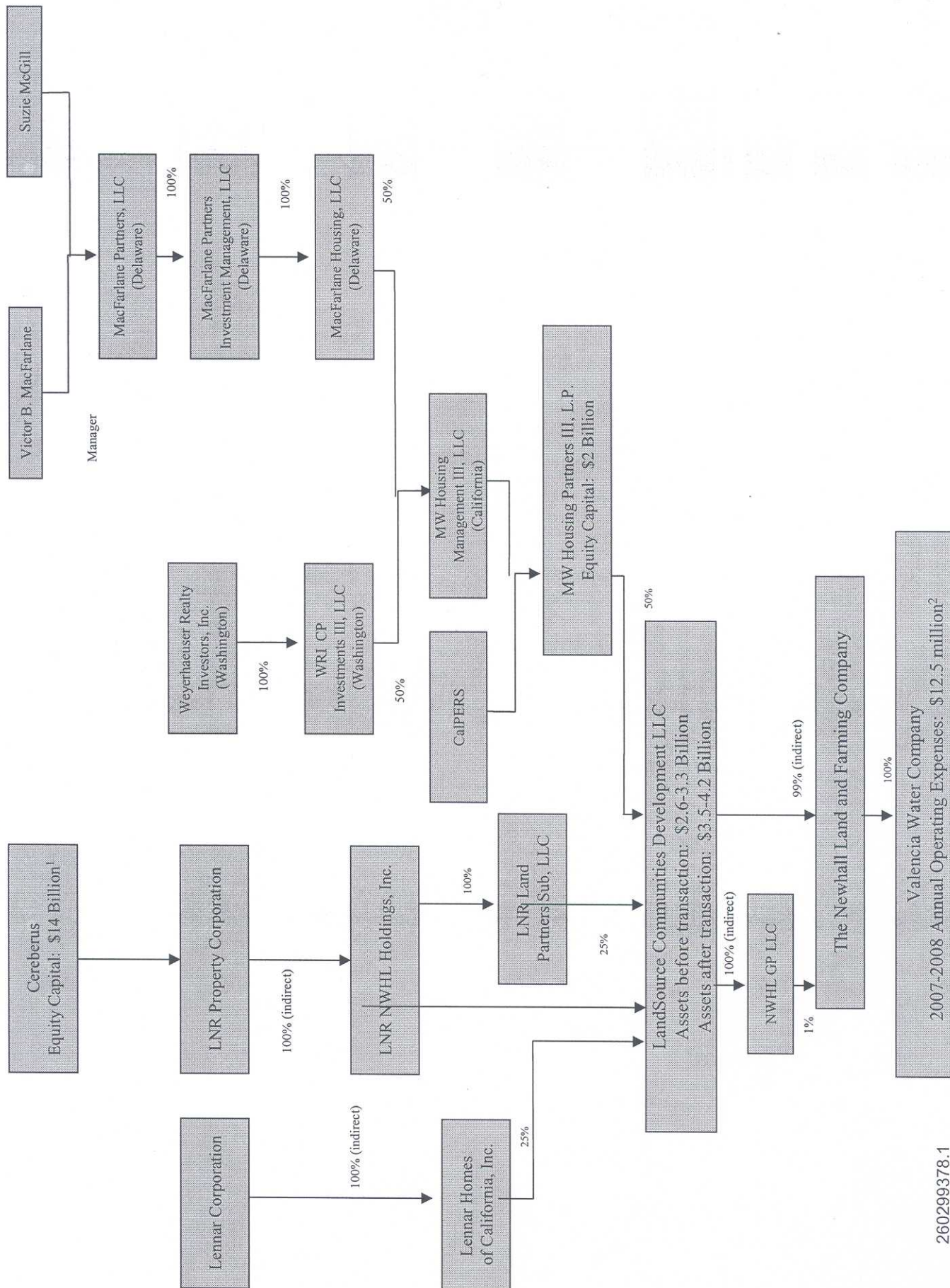
Attorneys for APPLICANTS

Dated: September 13, 2007

POST TRANSACTION LINES OF VOTING CONTROL



VALENCIA WATER COMPANY OWNERSHIP



Capital Requirements Conditions Imposed Upon Other Parent Companies

PacifiCorp (D.06-02-033):

“The capital requirements of PacifiCorp, as determined to be necessary to meet its obligation to serve the public, will be given a high priority by the Board of Directors of MEHC¹ and PacifiCorp.”

Valencia Water Company (D.04-01-051)

“Lennar, LNR and Newhall shall ensure that Valencia has adequate capital to fulfill all of its public utility service obligations.”

California-American Water Company (D.02-12-068)

“Cal-Am will be provided with adequate capital to fulfill all of its service obligations prescribed by the Commission and Cal-Am will comply with all applicable California and federal statutes, laws and administrative regulations.”

“Commission comment: We understand this provision as requiring RWE, Thames, and American to provide Cal-Am with all necessary capital to fulfill all of its obligations prescribed by the Commission, and that Cal-Am will comply with all applicable California and federal statutes, laws and administrative regulations.”

Pacific Gas and Electric Company (D.99-04-068)

“The capital requirements of PG&E, as determined to be necessary and prudent to meet the obligation to serve or to operate the utility in a prudent and efficient manner, shall be given first priority by PG&E Corporation’s Board of Directors.”

San Diego Gas and Electric Company (D.95-12-018)

“The capital requirements of SDG&E, as determined to be necessary to meet its obligations to serve, shall be given first priority by the Board of Directors of Parent and SDG&E.”

Southern California Edison Company (D.88-01-063)

“The capital requirements of the utility, as determined to be necessary to meet its obligation to serve, shall be given first priority by the Board of Directors of Edison’s parent holding company and Edison.”

¹ “MEHC’s [Midamerican Energy Holdings Company] ownership on January 31, 2005, was as follows: Berkshire Hathaway Inc. (80.48% economic interest); Walter Scott, Jr., and family interests (15.27% economic interest); David Sokol (2.91% economic interest); and Greg Abel (1.34% economic interest).” D. 06-02-033 at 4-5.

CERTIFICATE OF SERVICE

I, Maura Bonal, hereby certify that on this date I will serve the foregoing NOTICE OF EX PARTE COMMUNICATIONS in Application 07-02-019 by electronic mail and by hand delivery or by U.S. mail, on the following parties:

By electronic mail:

mfg@cpuc.ca.gov; ed.giermann@lennar.com; tpy@cpuc.ca.gov;
hsm@cpuc.ca.gov [updated August 6, 2007]

Executed this 13th day of September, 2007 in San Francisco, California.

/S/ MAURA BONAL
Maura Bonal